MORAY PLACE INVESTMENT COMPANY

REPORT AND FINANCIAL STATEMENTS
for the year ended 30 September 2016

CONTENTS

ABOUT YOUR COMPANY

Moray Place Investment Company (MPIC) was formed on 2 May 2012 as an open-ended investment company and commenced trading on 15 May 2012. It is regulated and authorised by the Financial Conduct Authority in the UK as a non-UCITS retail scheme. The company is intended to be a low-cost, long-term investment vehicle for like-minded private investors. It is straightforward and free of the conflicts of interest that bedevil the professional money management industry.

MPIC's objective is to preserve and grow (in that order) the purchasing power of its investors' capital. The investment manager believes that it is most meaningful to assess MPIC's progress over a full economic cycle, which is typically 5-10 years. Over this time frame, useful comparators include UK consumer price inflation, the yield on long-dated gilts, and equity indices.

MPIC expects to achieve its objective primarily through owning shares in established companies listed on stock exchanges around the world. It will not borrow, use derivatives, short-sell securities, or invest in property directly.

The investment approach is uncomplicated, disciplined and patient. The investment manager also believes that it is conservative, if idiosyncratic. MPIC is not designed to appeal to a broad constituency. It is only suitable for investors who are capable of evaluating the merits and risks of such an approach: if you cannot, or it makes you uncomfortable, or it simply does not suit your psychology, you should not invest.

Value of company at 30 September 2016	£51,366,077	
Authorised Corporate Director (ACD)	Valu-Trac Investment Management Limited	
Investment manager	Hollis Capital Limited	
Minimum investment	Initial: Subsequent: ISA:	£100,000 £10,000 £15,240
Dealing spread	1%	
Ongoing charges	0.58%	
Performance fee	Not applicable	
Initial charges	Not applicable	
Redemption charges	5% for sales within 2 years of purchase; 2% for sales between 2 and 5 years of purchase *Paid to MPIC, not to the ACD or investment manager*	
Ex-dividend date	30 September	
Dividend date	30 November	

FINANCIAL SUMMARY

	At and for the period ended				
	30 Sept 2016	**30 Sept 2015**	**30 Sept 2014**	**30 Sept 2013**	**30 Sept 2012**
Value of company	£51.4m	£34.2m	£28.3m	£22.8m	£15.6m
Shares outstanding					
Accumulation	22.2m	19.1m	17.0m	14.5m	11.0m
Income	5.6m	5.4m	5.1m	4.4m	4.0m
NAV per share *(mid price)*					
Accumulation	186.9p	141.0p	128.4p	121.9p	104.1p
Income	180.3p	136.7p	125.9p	120.8p	104.1p
Dividend per share					
Accumulation	2.28p	1.80p	1.45p	1.04p	0p
Income	2.22p	1.80p	1.45p	1.04p	0p
Effective liquidity	25%	22%	26%	29%	31%
Ongoing charges	0.58%	0.61%	0.63%	0.79%	0.87%
Portfolio turnover	9%	10%	3%	7%	0%

Notes

1. *The company started trading on 15 May 2012 when shares were issued at 100p each.*
2. *On 1 October 2014 gross shares stopped being offered and all existing gross shares were converted into net shares. See Comparative Tables on pp.22-23 for detail.*
3. *Effective liquidity includes the investment in gold; all the current constituents are shown on p.9.*
4. *The ongoing charges ratio is based on the actual charges and the average NAV during the period. It is annualised.*
5. *Portfolio turnover is annualised.*

Dear fellow shareholders

Moray Place Investment Company's objective is first to protect and then to grow the purchasing power of its investors' capital. The portfolio has changed little over the past year and the guiding principles by which I manage MPIC not at all.

Cheap money, good people and durable wealth

I remain pessimistic about the promises of governments and their central bankers. The prevailing political attitude is to trade short-term gains for long-term costs. The manipulation of interest rates is a prime example. Cheap money is not a panacea; at best, it is a short-term policy that brings forward spending from the future to today. Maynard Keynes provided the intellectual justification for this short-sighted perspective, encapsulated in his quip, "in the long run we are all dead". However, Herbert Stein, President Nixon's economic aid, articulated the problem in the 1970s. He said, "We woke up to discover that we were living in the long run, and were suffering for our failure to look after it."

Fortunately, human progress does not rely on cheap money. Instead, what matters is skilled, motivated and free people forming businesses to make lives better. Businesses are communities of problem-solvers. Profit is the natural by-product of businesses fulfilling human needs and wants. Profitable businesses that treat their customers well are an enduring way of creating and growing wealth. These types of companies are rare, so if I can invest in them at reasonable prices, I expect to own them for many years.

Unfortunately, businesses will not be immune if the global experiment in cheap money ends badly. MPIC owns gold as a form of liquidity as well as insurance against extreme outcomes, including monetary chaos. In contrast to bonds and paper money, gold is not someone else's liability, its supply is limited, and it has been a store of purchasing power for thousands of years. Gold does not have the potential to grow like a good business, but it is even more durable as a store of wealth.

Gauging progress

One of my core beliefs is that a single year is not an appropriate or meaningful period over which to gauge investment results. While it is conventional to discuss results over 12-month periods, or even less, I think it nonsensical. Randomness and luck dominate such short periods, which offer no insight into sustainable returns or an investment manager's competence. Therefore, I stated at the outset that I would assess and comment on MPIC's results over an economic cycle. As a cycle varies in length, I said for simplicity that I would not comment on periods of less than five years.

By my guidelines, I should not comment on MPIC's results for at least another year. However, I think that the advance in the company's asset value since May 2012 warrants comment now. Since inception, MPIC's asset value has risen by almost 87%, which compares to a rise in the UK Consumer Price Index of 5%. Unfortunately, while these rates of return appear pleasing, they are not sustainable. They may even be concerning if: 1) they lead to unreasonable expectations and disappointment in MPIC's future returns; 2) they indicate that I do not understand the risks inherent in MPIC's portfolio; or 3) they attract attention and money for the wrong reasons.

1. Reasonable expectations

In last year's annual letter, I discussed how one might gauge the possibilities for future investment returns from owning MPIC shares. At prevailing prices for bonds and equities, I suggested a reasonable expectation over a cycle might be a return of 0-5% per annum in excess of inflation. Clearly, the company has actually achieved more than this since May 2012.

To offer some insight into how this has happened, I have analysed MPIC's returns using the framework I outlined in last year's letter. Keynes described the idea in Chapter 12 of *The General Theory.* Jack Bogle, the founder of Vanguard, has adapted and simplified the approach by expressing the return from owning equities thus:

- Enterprise return = dividend yield plus the growth of those dividends
- Speculative return = the change in the market price for each £1 of dividends
- Total return = enterprise return + speculative return

This formula can be further adapted for other investments by renaming the enterprise element as the "fundamental return". For bonds, this is simply the initial yield, as the interest coupons do not grow. The speculative return is the change in the bond's yield. A bond's total return is its initial yield plus the capital gain or loss from any change in its yield. For gold, I have analysed the outcome by assuming that its fundamental return is zero, after inflation. By this definition, any return in excess of inflation achieved from owning gold is thus speculative.

In the table below, I attempt to separate the fundamental and speculative elements of MPIC's cumulative returns achieved from inception to 30 September 2016. These returns include the effect of a 5% rise in UK consumer prices over the period, as noted above.

		% of MPIC	**Fundamental return**	+	**Speculative return**	=	**Total return**
Actual returns from 15 May 2012 to 30 September 2016	Equities	75%	45%		65%		110%
	Liquidity	25%	3%		12%		15%
	Total	**100%**	**35%**		**52%**		**87%**
A reasonable expectation over 4½ years		100%	5-30%		nil		5-30%

The first row shows my analysis of MPIC's returns from owning equities since inception. As a proxy for the fundamental return, I have used the returns from the original 38 equity holdings. Their initial weighted average dividend yield was 2½% and they have since grown their aggregate dividends by 35%. Their fundamental return over almost four and a half years was about 45%. While the fundamental return is good, the actual total return from MPIC's equity investments was better: 110%. The upward revaluation of MPIC's equity investments accounts for the difference.

The second row of the table presents the combined returns from MPIC's investments in index-linked bonds, gold and cash. The total return from liquidity was 15%. Currency gains on foreign bonds and gold were the most important element, which I have defined as speculative in nature.

The third row in bold type summarises MPIC's overall result since inception. The asset value of the company's accumulation shares rose by 87% over the period. I estimate that the fundamental return was 35%. Thus, the residual, the speculative return, was the largest element of the overall total return.

The final row reflects my comments from last year's letter. My conclusion then was that a reasonable expectation for MPIC over a cycle was an annual return of 0-5% in excess of inflation. Moreover, I argued that this would be dominated by the fundamental return, as the speculative element would tend to zero. This annual expectation is equivalent to a cumulative total return since inception of 5-30%, including inflation of 5% and assuming a speculative return of zero.

Progress should be assessed over a full cycle. The period since May 2012 has not been a full cycle. It has been a time of rising asset prices, extraordinarily low and falling interest rates, and buoyant corporate profitability. These are flattering conditions for investors. MPIC's investments have benefited from a significant upward revaluation, reflected in the speculative return. At best, I would regard the speculative return as a windfall gain. At worst, it may reverse and depress future total returns.

2. Deep risk and stress

Investment results should be evaluated not just over a meaningful period but also together with the amount of risk incurred. Unfortunately, while it is easy to quantify returns, it is not easy to quantify risk.

Investment involves risk – the possibility that the future does not turn out as expected. Some risks are ephemeral owing to the speculative ebb and flow of markets. William Bernstein, the investment writer and adviser, calls this "shallow risk". I pay little attention to shallow risk as it appears to me random and unpredictable. Other risks are more fundamental and threaten a permanent loss of purchasing power. Bernstein calls these "deep risks", which I attempt to minimise through a focus on good people and durable wealth.

Risk also involves stress. I find it helpful to think of returns adjusted for stress. Sustained stress is bad because it impairs decision-making. Thus, to improve outcomes I adhere to certain tenets: avoid constant decision-making; own an all-weather portfolio that can survive unpredictable storms; and associate only with competent people whose values I respect.

I believe that my investment approach is conservative. If my assessment is correct, then the strength of MPIC's results since inception is surprising. However, the real test of my contention will come only once we experience trying times and sustained falls in asset prices.

3. Like-minded co-investors

My wish is to grow the purchasing power of MPIC with co-investors I know and who understand what I am trying to achieve. I hope for a reasonable outcome while being able to survive bad times without undue distress. One may regard buoyant returns over a short period as a pleasant surprise, but it is not a harbinger of the future.

I created MPIC by following the golden rule: to do as I would be done by. Thus, it is a low-cost, tax-efficient, long-term savings vehicle for private investors. The majority of my own capital is, and will remain, invested in MPIC. Unfortunately, this does not ensure a reasonable outcome, but it does ensure that I manage the company with the best intentions: to make money *with* you, not *from* you.

Thank you for your continued, patient support. Please bear in mind that MPIC will have to endure trying times in the future – although it is impossible to know when. In the meantime, do contact me if you have any questions or comments about the company or its portfolio.

Peter Hollis

I introduced my first Letter to Shareholders in 2012 by stating that all enduring human endeavours and relationships appear to have a commitment to common goals and shared values. To help potential co-investors assess whether they share my goals and values, I outlined the objectives and guiding principles by which I manage MPIC. They are repeated below, with an alteration to the reference about undated gilts, which no longer exist, and an explanation for my final principle. They are principles, so I do not expect significant changes in coming years; however, they may evolve as I continue to learn from new insights as well as from my mistakes.

Investment objective and appropriate gauges of progress

One key to attracting and keeping like-minded co-investors is that we gauge progress by the same yardstick. Moreover, that yardstick needs to be stated at the start of the relationship.

The essence of investment is to defer consumption today so that one may consume more in future. Hence, MPIC's objective is to preserve and grow (in that order) the purchasing power of its investors' capital. In deferring consumption today one might wish, for instance, to buy more groceries, property or education in future. All would represent valid standards by which to assess progress. However, for ease, I will compare MPIC's results against three benchmarks.

1. *The UK Consumer Price Index*
   Spending power is most commonly evaluated with respect to consumer goods. One basic hurdle for MPIC is thus to grow faster than UK consumer goods inflation.

2. *The yield on UK long-dated gilts*
   Consumer goods are only a part of personal expenditure. Perhaps the most comprehensive gauge of the expected erosion of purchasing power is the yield on UK long-dated gilts. This yield can be interpreted as the market's best guess of the nominal return required at least to sustain the purchasing power of pound sterling in the future.

3. *The UK FTSE All-Share Index*
   MPIC is not an equity fund, but it does expect primarily to use quoted equities as the means of achieving its objective. An equity index is thus an informative comparator, as well as a test of whether MPIC is preserving its investors' purchasing power in one specific form of assets: publicly quoted companies.

Note, first, that the comparators are UK-oriented. This seems appropriate as most of MPIC's owners are British with predominantly pound sterling commitments and liabilities. Second, I do not believe that a single year is an informative time frame over which to assess progress. I believe that the most appropriate period is an economic cycle, not the time it takes the earth to orbit the sun. Thus, I will compare MPIC's returns against its three comparators over a full economic cycle. The economic cycle varies in length, but for simplicity I will define it as a minimum of five years and maximum of ten, and comment on both periods.

My guiding principles

Another way of assessing whether there is a community of interest with my investment values is to compare your investing beliefs, or principles, with mine. These are mine:

- *I will treat your investment in MPIC as I would treat my own*
  I have, and will maintain, most of my personal capital in MPIC.

- *Costs matter*
  While the investment results of MPIC will be volatile and inherently uncertain, I am certain of one thing: costs erode long-term returns. Therefore, MPIC aspires to be one of the lowest cost investment companies available to private investors.

GUIDING PRINCIPLES

- *Long-term thinking*
  I will invest so as to be untroubled if markets were to close for five years. Expect turnover of investments within MPIC to average less than 10% each year.

- *Independent thinking*
  My investment philosophy is to be conservative, but not conventional. I will shun excessively popular, fashionable investments. I believe that an important paradox in investment is that the more popular an idea becomes, the less profitable it is likely to be.

- *Long-term optimism on man's instincts to trade, barter and exchange goods and ideas*
  I believe that this is the true source of durable prosperity and wealth. Rising living standards are largely derived from accumulated knowledge and new ideas, which is only constrained by human ingenuity and imagination.

- *Long-term pessimism on the value of government promises*
  The logic of politicians is to trade short-term, obvious benefits for long-term, less obvious costs, which undermines the worth of government-backed promises, such as paper money and bonds. One consequence of this process is inflation, which I believe to be at source a political phenomenon. It has been one of the tragedies of modern financial academic work to label government bonds "risk-free".

- *The role of quoted equity investments*
  I believe that the long-term ownership of exceptional businesses run by honest people is the best means of allowing the investor to participate in the general tendency for global living standards to rise, while simultaneously protecting his capital from inflation. Quoted equity securities allow the investor to part-own a variety of high quality businesses around the world, at remarkably low cost. Consequently, it is likely that investments in quoted equities will dominate the portfolio.

- *Risk and uncertainty cannot be avoided*
  Business and investing are complex, unpredictable and fraught with uncertainty. I do not believe that government bonds are risk-free; I do not believe that investment risk can be quantified; and I do not believe in smooth progress. MPIC is designed to cope with investment risk and uncertainty, not to eliminate it.

- *Progress will be lumpy*
  Quoted equities represent claims on corporate cash flows, yet their market prices have proved far more volatile than their underlying business values. Historically, publicly listed businesses have suffered widespread, general falls in market prices in approximately one calendar year in three. Indeed, dramatic declines of over 30% have occurred at some point in most decades. I do not believe that MPIC can avoid such characteristic downturns in business and stockmarket cycles, but it will seek to survive them without undue distress.

- *I will discourage investors who cannot commit funds for at least five years*
  MPIC is an open-ended investment company. If funds flow in *and out,* the company's returns may be compromised, to the detriment of the remaining shareholders. Thus, there is an exit charge for all redemptions within five years, which is paid into MPIC to compensate the remaining shareholders. (The charge is not paid to the ACD or the investment manager.)

Peter Hollis

PORTFOLIO AT 30 SEPTEMBER 2016

Security	Country	Holding	Value (£)	%	*30 Sept 2015*
Markel	US	6,000	4,254,106	8.3%	
Fairfax Financial	Canada	6,000	2,633,297	5.1%	
Jardine Strategic	Singapore	90,000	2,258,123	4.4%	
Svenska Handelsbanken A	Sweden	200,000	2,113,572	4.1%	
WH Soul Pattinson	Australia	190,000	1,808,659	3.5%	
Admiral Group	UK	85,000	1,746,325	3.4%	
Philip Morris International	US	21,000	1,581,251	3.1%	
Hansa Trust A	UK	150,000	1,230,000	2.8%	
Hansa Trust Ords	UK	25,000	219,375		
Royal Dutch Shell B	UK	65,000	1,301,138	2.6%	
Moody’s	US	15,000	1,252,112	2.5%	
Investor B	Sweden	40,000	1,123,054	2.2%	
Sofina	Belgium	10,000	1,097,078	2.1%	
Rights & Issues Investment Trust	UK	66,000	1,020,030	2.0%	
Wm Morrison Supermarkets	UK	450,000	978,525	1.9%	
Progressive Corp	US	40,000	967,663	1.9%	
RLI Corp	US	18,000	946,939	1.8%	
JD Wetherspoon	UK	100,000	939,500	1.8%	
Nestle	Switzerland	14,000	846,924	1.7%	
GBL	Belgium	10,000	680,560	1.3%	
Atlas Copco B	Sweden	30,000	628,691	1.3%	
Colruyt	Belgium	14,000	596,540	1.2%	
Cable One	US	1,300	584,765	1.1%	
Crown Holdings	US	13,000	568,469	1.1%	
Strayer Education	US	15,000	535,755	1.0%	
Chubb Limited	US	5,417	522,082	1.0%	
The Coca-Cola Company	US	16,000	520,040	1.0%	
Graham Holdings B	US	1,300	477,297	0.9%	
Spirax-Sarco	UK	10,213	457,440	0.9%	
Alleghany Corp	US	1,100	443,426	0.9%	
Franco-Nevada	Canada	8,000	433,582	0.8%	
Next	UK	9,000	430,560	0.8%	
CF-Alba	Spain	12,000	390,028	0.8%	
Imperial Oil	Canada	16,000	388,719	0.8%	
Motor Oil (Hellas)	Greece	43,071	373,259	0.7%	
Alfa Laval	Sweden	30,000	361,424	0.7%	
Wells Fargo warrants (28.10.18)	US	32,000	309,947	0.6%	
VP	UK	40,000	282,000	0.6%	
PACCAR	US	6,000	271,588	0.5%	
FedEx	US	2,000	268,262	0.5%	
Greggs	UK	25,000	253,000	0.5%	
Ocean Wilsons Holdings	UK	20,000	197,000	0.4%	
Kone B	Finland	5,000	194,945	0.4%	
Coca-Cola HBC	UK	10,000	178,250	0.3%	
Soc. Fin. des Caoutchoucs	Luxembourg	8,000	157,751	0.3%	
Total equities			***38,823,051***	***75.6%***	*78.1%*

PORTFOLIO AT 30 SEPTEMBER 2016

Security	Country	Holding	Value (£)	%	*30 Sept 2015*
Sweden 0.5% Inflation-linked Treasury 2017	Sweden	8,000,000	794,321	1.5%	
US 0.625% Inflation-protected Treasury 2021	US	750,000	646,846	1.3%	
US 0.125% Inflation-protected Treasury 2019	US	750,000	602,024	1.2%	
US 0.125% Inflation-protected Treasury 2018	US	700,000	565,984	1.1%	
UK 0.125% Index-linked Gilt 2024	UK	400,000	515,937	1.0%	
UK 1.25% Index-linked Gilt 2017	UK	300,000	424,948	0.8%	
UK 0.125% Index-linked Gilt 2019	UK	300,000	344,795	0.7%	
Royal Canadian Mint Gold ETR	Canada	190,000	2,063,740	4.0%	
Perth Mint Gold ETF	Australia	159,642	1,633,825	3.2%	
Central Fund of Canada	Canada	135,000	1,441,856	2.8%	
Sprott Physical Gold Trust	US	88,216	744,338	1.4%	
Cash and equivalents	Various		2,866,557	5.6%	
Total effective liquidity			**12,645,171**	**24.6%**	*22.2%*
Adjustment to revalue assets from Mid to Bid			-102,145	-0.2%	
Total portfolio			**51,366,077**	**100%**	

AUTHORISED CORPORATE DIRECTOR'S REPORT

The rules of the Financial Conduct Authority's Collective Investment Schemes Sourcebook require the Authorised Corporate Director to prepare financial statements for each accounting period which give a true and fair view of the financial affairs of the Company and of its revenue or expense for the period. In preparing these financial statements the Authorised Corporate Director is required to:

- comply with the Prospectus and applicable accounting standards, subject to any material departures which are required to be disclosed and explained in the financial statements
- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in operation for the foreseeable future

The Authorised Corporate Director is required to keep proper accounting records and to manage the Company in accordance with the regulations and the Prospectus. The Authorised Corporate Director is responsible for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Director's Statement

In accordance with the requirements of the Financial Conduct Authority's Collective Investment Scheme's Sourcebook, we hereby certify the annual report.

Anne A. Laing CA

Neil J. Smith MA BA CA

Valu-Trac Investment Management Limited
Authorised Corporate Director

DEPOSITARY'S REPORT

The Depositary must ensure that the Company is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Investment Funds Sourcebook, the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228) (the OEIC Regulations), as amended, the Financial Services and Markets Act 2000, as amended, (together "the Regulations"), and the Company's Instrument of Incorporation and Prospectus (together "the Scheme documents") as detailed below.

The Depositary must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Company and its investors.

The Depositary is responsible for the safekeeping of all custodial assets and maintaining a record of all other assets of the Company in accordance with the Regulations.

The Depositary must ensure that:

- the Company's cash flows are properly monitored and that cash of the Company is booked into the cash accounts in accordance with the Regulations;
- the sale, issue, redemption and cancellation of shares are carried out in accordance with the Regulations;
- the value of shares of the Company are calculated in accordance with the Regulations;
- any consideration relating to transactions in the Company's assets is remitted to the Company within the usual time limits;
- the Company's income is applied in accordance with the Regulations; and
- the instructions of the Alternative Investment Fund Manager ("the AIFM") are carried out (unless they conflict with the Regulations).

The Depositary also has the duty to take reasonable care to ensure that the Company is managed in accordance with the Scheme documents and the Regulations in relation to the investment and borrowing powers applicable to the Company.

Having carried out such procedures as we consider necessary to discharge our responsibilities as Depositary of the Company, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Company, acting through the AIFM:

(i) has carried out the issue, sale, redemptions and cancellation, and calculation of the price of the Company's shares and the application of the Company's income in accordance with the Regulations and the Scheme documents of the Company, and
(ii) has observed the investment and borrowing powers and restrictions applicable to the Company.

National Westminster Bank Plc
1 October 2016

We have audited the Company's financial statements for the year ended 30 September 2016 which comprise the Statement of Total Return, Statement of Changes in Net Assets Attributable to Shareholders, Balance Sheet and the related Notes to the Financial Statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Generally Accepted Accounting Practice including FRS 102 'The Financial Reporting Standard Applicable in the UK and the Republic of Ireland'.

This report is made solely to the Company's shareholders, as a body, pursuant to Paragraph 4.5.12 of the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the ACD and Auditor

As explained more fully in the ACD's Report set out on page 10, the ACD is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the ACD; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the financial position of the Company as at 30 September 2016 and of the net income and the net capital gains on the property of the Company for the year then ended;
- the financial statements have been properly prepared in accordance with the IA Statement of Recommended Practice relating to Authorised Funds, the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority and the Instrument of Incorporation;
- the report of the ACD is consistent with the financial statements;
- there is nothing to indicate that proper accounting records have not been kept or that the financial statements are not in agreement with those records; and
- we have received all the information and explanations which, to the best of our knowledge and belief, we require for our audit.

Johnston Carmichael LLP
Chartered Accountants
Statutory Auditor
Elgin

Statement of total return

For the year ended 30 September	Notes	2016 £	2016 £	2015 £	2015 £
Income					
Net capital gains	2		11,250,209		2,409,535
Revenue	3	863,990		669,031	
Expenses	4	(241,792)		(204,410)	
Net revenues before taxation		622,198		464,621	
Taxation	6	(35,275)		(39,642)	
Net revenues after taxation			586,923		424,979
Total return before dividends			11,837,132		2,834,514
Finance costs: dividends	5		(628,243)		(441,856)
Change in net assets attributable to shareholders from investment activities			11,208,889		2,392,658

Statement of changes in net assets attributable to shareholders

For the year ended 30 September	2016 £	2015 £
Opening net assets attributable to shareholders	34,216,661	28,257,521
Amounts receivable on creation of shares	5,436,317	3,221,479
Amounts payable on cancellation of shares	-	-
Dividends accumulated	504,210	345,003
Change in net assets attributable to shareholders from investment activities (see above)	11,208,889	2,392,658
Closing net assets attributable to shareholders	51,366,077	34,216,661

Balance sheet

At 30 September	Notes		2016		2015
		£	£	£	£
Assets					
Investment assets			48,499,520		34,236,998
Debtors	7	180,174		143,491	
Cash and bank balances	8	2,875,091		81,455	
Total other assets			3,055,265		224,946
Total assets			51,554,785		34,461,944
Liabilities					
Creditors	9	(64,675)		(148,430)	
Dividend payable		(124,033)		(96,853)	
Total liabilities			(188,708)		(245,283)
Net assets attributable to shareholders			51,366,077		34,216,661

For the year ended 30 September 2016

1 Accounting policies

(a) The financial statements have been prepared in compliance with FRS 102 and in accordance with the Statement of Recommended Practice for Authorised Funds (SORP) issued by the Investment Association (IA) in May 2014. There have been no changes to the comparatives following the adoption of this SORP. The functional currency of the Company is sterling.

(b) Dividends on equities are recognised when the security is quoted ex-dividend. Bond interest is accrued daily into the company. An adjustment is made to the amount of income recognised in bonds using the effective interest yield basis. Interest on deposits is accounted for on an accruals basis. Other revenue is accounted for on receipts basis. Accumulation of revenue, relating to accumulation shares held in the company, is not included in the amount available for distribution.

Equalisation received by the way of distributions from OEICs or unit trust investments is not included in revenue but is reflected as a reduction in the book cost of that investment.

(c) The ordinary element of stocks received in lieu of cash dividends is recognised as revenue of the Company, and where applicable is included in the distribution. In the case of an enhanced stock dividend the value of the enhancement is treated as capital.

(d) Special dividends are treated as repayments of capital or revenue depending on the facts of each particular case.

(e) All expenses are accounted for on an accruals basis and other than those relating to the buying and selling of investments, all expenses are charged to the revenue of the Company.

(f) Where the revenue from investments exceeds the expenses of the Company, annual dividends are paid to all holders of income shares. In all cases, tax vouchers will be issued to shareholders.

(g) The Company is not more than 60% invested in qualifying investments (as defined by S468L ICTA 1988) and where applicable will pay a dividend distribution.

(h) The listed investments of the Company have been valued at bid market prices at 4.30pm UK time on 30 September 2016. Suspended securities are valued initially at the suspended price but are subject to constant review.

(i) All transactions in foreign currencies are converted into sterling at the rates of exchange ruling at the date of such transactions. Foreign currency assets and liabilities at the end of the accounting period are translated at the exchange rates at the closing valuation point and any gains or losses taken to capital.

(j) Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Deferred tax assets are recognised only to the extent that the ACD considers that it is more likely than not there will be taxable profits from which underlying timing differences can be deducted.

(k) In certain circumstances the ACD may charge a dilution levy on the sale or repurchase of shares. The levy, which is paid into the Company, is intended to cover certain charges not included in the bid market value of the Company, used in calculating the share price, which could have a diluting effect on the performance of the Company.

2 Net capital gains

	2016 £	2015 £
The net capital gains comprise:		
Currency gains	181,596	798
Non-derivative securities gains – unrealised	10,667,574	1,463,831
– realised	402,778	946,945
Transaction charges	(1,739)	(2,039)
Total net capital gains	11,250,209	2,409,535

3 Revenue

	2016 £	2015 £
UK dividends	259,711	210,587
Overseas dividends	576,759	423,134
Bond income	27,520	35,310
Total revenue	863,990	669,031

4 Expenses

	2016 £	2015 £
Payable to the Authorised Corporate Director, associates of the Authorised Corporate Director, and agents of either of them:		
ACD fee	203,827	169,476
Payable to the depositary, associates of the depositary, and agents of either of them:		
Depositary and safekeeping fees	31,957	26,519
Other expenses:		
Audit fee	5,700	8,100
FCA fee	308	315
	6,008	8,415
Total expenses	241,792	204,410

5 Finance costs

	2016 £	2015 £
Final dividend for the year	628,243	441,856
Reconciliation of dividends:		
Net revenue after taxation	586,923	424,979
Equalisation on subscriptions	41,320	16,877
Net dividend for the year	628,243	441,856

6	Taxation	2016 £	2015 £
(a)	**Analysis of charge in the year**		
	Irrecoverable income tax	35,275	39,642
	Total current tax charge for the year (note 6b)	35,275	39,642

(b) Factors affecting current tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an open-ended investment company (20%). The differences are explained below.

	2016 £	2015 £
Net revenues before taxation	622,198	464,621
Corporation tax at 20%	124,440	92,924
Effects of:		
Revenue not subject to taxation	(167,294)	(125,745)
Current year expenses not utilized	42,854	32,821
Overseas tax expenses	35,275	39,642
Current tax charge for year (note 6a)	35,275	39,642

(c) Provision for deferred taxation

At 30 September 2016 there is a potential deferred tax asset of £139,379 (2015 £96,525) in relation to surplus management expenses. It is unlikely the Company will generate sufficient taxable profits in the future to utilise this amount and therefore no deferred tax asset has been recognised.

7	Debtors	2016 £	2015 £
	Accrued revenue	108,933	72,230
	Tax reclaimable	71,226	71,261
	Outstanding Trades	15	-
	Total debtors	180,174	143,491

8	Cash and bank balances	2016 £	2015 £
	Cash and bank balances	2,875,091	81,455

9	Creditors	2016 £	2015 £
	Accrued expenses	64,675	54,169
	Unsettled trades	-	94,261
	Total creditors	64,675	148,430

10 Share movement	Income shares	Acc. shares
Shares outstanding at 1 October 2015	5,370,452	19,130,204
Shares issued during the period	211,092	3,025,236
Shares cancelled during the period	-	-
Shares converted during the period	-	-
Shares outstanding at 30 September 2016	5,581,544	22,155,440

11 Related party transactions	2016 £	2015 £
Authorised Corporate Director's fees and Investment Manager's fees were payable to the following related parties during the period:		
Valu-Trac Investment Management Limited	20,000	20,000
Hollis Capital Limited	183,827	149,476
The balances due to these related parties at 30 September 2016 were as follows:		
Valu-Trac Investment Management Limited	0	4,986
Hollis Capital Limited	52,395	37,536

12 Financial instruments

In pursuing its investment objective as stated on page 1, the Company holds a number of financial instruments. The Company's financial instruments comprise securities and other investments, cash balances, debtors and creditors that arise directly from its operations, for example, in respect of sales and purchases awaiting settlement, amounts receivable for issues and payable for redemptions and debtors for accrued revenue.

The main risks arising from the Company's financial instruments, those of its underlying holdings and the ACD's policies for managing these risks are summarised below. These policies have been applied throughout the year.

Market price risk

Market price risk is the risk that the value of the Company's investment holdings will fluctuate as a result of changes in market prices caused by factors other than interest rate or foreign currency movement. Market price risk arises mainly from uncertainty about future prices of financial instruments the company holds. It represents the potential loss the Company might suffer through holding market positions in the face of price movements.

The Company's investment portfolio is exposed to market price fluctuations, which are monitored by the ACD in pursuance of the investment objective and policy as set out in the Prospectus.

Adherence to investment guidelines and to investment and borrowing powers set out in the Instrument of Incorporation, the Prospectus and in the rules of the Financial Conduct Authority's Collective Investment Schemes Sourcebook mitigates the risk of excessive exposure to any particular type of security or issuer.

Foreign currency risk

Foreign currency risk is the risk that the value of the Company's investment holdings will fluctuate as a result of changes in foreign currency exchange rates.

The Company's investment portfolio can be invested in holdings that are registered overseas, and this means that the balance sheet can be affected by movements in foreign exchange rates. Revenue received in other currencies is converted to sterling on or near the date of receipt.

A portion of the net assets of the Company is denominated in currencies other than sterling with the effect that the balance sheet and total return can be affected by currency movements. If foreign exchange rates at the Balance Sheet date had been 10% higher or lower while all other variables remained the same the return attributable to shareholders for the year ended 30 September 2016 would have increased/decreased by £3,861,164 (2015 £2,861,200)

At 30 September 2016, net currency monetary assets and liabilities consist of:

	Monetary assets		Non-monetary assets		Total net assets	
	2016	2015	2016	2015	2016	2015
	£	£	£	£	£	£
Sterling	2,347,603	(9,050)	10,406,834	5,613,707	12,754,437	5,604,657
Australian Dollar	0	88,783	3,442,484	2,137,389	3,442,484	2,226,172
Canadian Dollar	1,154	1,765	6,961,194	3,835,498	6,962,348	3,837,263
Euro	171,878	-	3,490,160	3,150,300	3,662,038	3,150,300
Swedish Kroner	178	-	5,022,373	3,179,956	5,022,551	3,179,956
Swiss Franc	16,218	(43)	846,924	702,449	863,142	702,406
US Dollar	338,060	-	18,321,017	15,515,907	18,659,077	15,515,907
Total	2,875,091	81,455	48,490,986	34,135,206	51,366,077	34,216,661

Interest rate risk

Interest rate risk is the risk that the value of the Company's investment holdings will fluctuate as a result of changes in interest rates.

The Company currently does not invest in floating rate securities. Interest rate risk exposure is restricted to interest receivable on fixed rate securities and bank deposits or payable on bank overdraft positions which will be affected by fluctuations in interest rates.

At the period end date 13.2% of the Company's assets by value were interest bearing.

Maturity of financial liabilities

The financial liabilities of the Company at 30 September 2016 are payable either within one year or on demand.

Liquidity risk

The Company's assets comprise mainly of readily realisable securities. The main liability of the Company is the redemption of any shares that the investors wish to sell. Assets of the Company may need to be sold if insufficient cash is available to finance such redemptions.

Credit risk

Certain transactions in securities that the Company enters into expose it to the risk that the counterparty will not deliver the investment for a purchase, or cash for a sale after the Company has fulfilled its responsibilities. The Company only buys and sells investments through brokers which have been approved by the ACD as acceptable counterparties and fund management companies. In addition, limits are set to the exposure to any individual broker that may exist at any time and changes in brokers' financial ratings are reviewed.

Fair value disclosure

All investments are valued using prices for identical instruments in active markets.

13 Contingent assets and liabilities

At 30 September 2016, the Company had no contingent liabilities or commitments.

14 Portfolio transaction costs

	2016 £	% of purchases	2015 £	% of purchases
Analysis of total purchase costs:				
Purchases before transaction costs	6,823,610		7,920,176	
Commissions	10,542	0.15	10,152	0.13
Taxes	11,696	0.17	8,607	0.11
Total purchase costs	22,238	0.32	18,759	0.24
Total purchases plus transaction costs	6,845,848		7,938,935	
	£	% of sales	£	% of sales
Analysis of total sale costs:				
Sales before transaction costs	3,573,324		3,345,189	
Commissions	1,669	0.05	1,630	0.05
Taxes	16	0.00	30	0.00
Total sale costs	1,685	0.05	1,660	0.05
Total sales less transaction costs	3,571,639		3,343,529	
	£	% of average net assets	£	% of average net assets
Analysis of total transaction costs:				
Commissions	12,211	0.02	11,782	0.03
Taxes	11,712	0.02	8,637	0.03
	23,923	0.04	20,419	0.06

COMPARATIVE TABLES

For the year ended 30 September	Net income shares 2016	2015	2014
Change in net assets per share			
Opening net asset value per share	136.7p	125.9p	120.8p
Return before operating charges †	46.7p	13.4p	7.3p
Operating charges	(0.9p)	(0.8p)	(0.8p)
Return after operating charges	45.8p	12.6p	6.5p
Distribution on income shares	(2.2p)	(1.8p)	(1.4p)
Closing net asset value per share	180.3p	136.7p	125.9p
† after direct transaction costs of	0.06p	0.08p	0.06p
Returns			
Total return after charges	32.6%	9.8%	5.3%
Other information			
Closing net asset value	£10.1m	£7.34m	£3.65m
Closing number of shares	5.58m	5.37m	2.90m
Operating charges	0.58%	0.61%	0.63%
Direct transaction costs	0.04%	0.06%	0.05%
Share prices			
Highest offer price	181.2p	148.5p	135.0p
Lowest bid price	141.6p	134.1p	119.9p

For the year ended 30 September	Net accumulation shares 2016	2015	2014
Change in net assets per share			
Opening net asset value per share	141.0p	128.4p	121.9p
Return before operating charges †	46.8p	13.4p	7.3p
Operating charges	(0.9p)	(0.8p)	(0.8p)
Return after operating charges	45.9p	12.6p	6.5p
Closing net asset value per share	186.9p	141.0p	128.4p
Retained distributions on accumulated shares	2.3p	1.8p	1.4p
† after direct transaction costs of	0.06p	0.08p	0.06p
Returns			
Total return after charges	32.6%	9.8%	5.3%
Other information			
Closing net asset value	£41.4m	£27.0m	£3.92m
Closing number of shares	22.2m	19.1m	3.05m
Operating charges	0.58%	0.61%	0.63%
Direct transaction costs	0.04%	0.06%	0.05%
Share prices			
Highest offer price	187.8p	151.0p	137.5p
Lowest bid price	145.8p	136.6p	120.9p

COMPARATIVE TABLES

	Gross income shares		
For the year ended 30 September	**2016**	**2015**	**2014**
Change in net assets per share			
Opening net asset value per share	n/a	n/a	120.8p
Return before operating charges †			7.3p
Operating charges			(0.8p)
Return after operating charges			6.5p
Distribution on income shares			(1.4p)
Closing net asset value per share			125.9p
† after direct transaction costs of			0.06p
Returns			
Total return after charges			5.3%
Other information			
Closing net asset value			£2.80m
Closing number of shares			2.22m
Operating charges			0.63%
Direct transaction costs			0.05%
Share prices			
Highest offer price			135.0p
Lowest bid price			119.9p

On 1 October 2014 all gross income shares were converted to net income shares at £1.2594 per share.

	Gross accumulation shares		
For the year ended 30 September	**2016**	**2015**	**2014**
Change in net assets per share			
Opening net asset value per share	n/a	n/a	121.9p
Return before operating charges †			7.3p
Operating charges			(0.8p)
Return after operating charges			6.5p
Closing net asset value per share			128.4p
Retained distributions on accumulated shares			1.4p
† after direct transaction costs of			0.06p
Returns			
Total return after charges			5.3%
Other information			
Closing net asset value			£17.9m
Closing number of shares			14.0m
Operating charges			0.63%
Direct transaction costs			0.05%
Share prices			
Highest offer price			137.5p
Lowest bid price			120.9p

On 1 October 2014 all gross accumulation shares were converted to net accumulation shares at £1.2842 per share.

Authorised Corporate Director's charges

The annual ACD charges are £20,000, indexed annually to the Consumer Price Index from 1 October 2014, plus the investment management fee. The annual investment management fee is currently equal to:

1. 0.50% of the Net Asset Value of the Company on the first £20 million; and
2. 0.35% of the Net Asset Value of the Company thereafter.

Dividend

All the revenue of the Company will be paid as dividends to shareholders on or before 30 November each year.

Issue and redemption of shares

Valu-Trac Investment Management Limited is the Registrar. Valu-Trac Investment Management Limited will receive requests for the purchase or sale of shares at any time during normal business hours. Instructions may be given by telephone (01343 880344) or by sending an application form. Application forms are available from the Registrar.

The price of shares will be determined by reference to a valuation of the Company's net assets at 4.30pm on the 1st and 15th (or the next business day) of each month.

The ACD has the right to reject, on reasonable grounds relating to the circumstances of the applicant, any application for shares in whole or part, and in this event the ACD will return any money sent, or the balance of such monies, at the risk of the applicant.

Any subscription monies remaining after a whole number of shares has been issued will not be returned to the applicant. Instead, smaller denomination shares will be issued.

A contract note giving details of the shares purchased and the price used will be issued by the Registrar by the end of the second business day following the valuation point by reference to which the purchase price is determined. Settlement is due on the date specified on the contract note.

Ownership of shares will be recorded by an entry on the Company's Register of Shareholders. Certificates will not be issued. Annual statements will show the number of shares held by the recipient on which the dividend is paid. Individual statements of a shareholder's (or, when shares are jointly held, the first named holder's) shares will also be issued at any time on request by the registered holder.

Where shares are redeemed, payment will be made not later than the close of business on the fourth business day following the trade date. The minimum value of shares that a shareholder may hold is £100,000 at cost. The ACD may at its discretion accept subscriptions lower than the minimum amount.

A redemption charge is payable on any shares redeemed within five years of purchase. The redemption charge is paid to the Company to compensate continuing shareholders; it is not paid to the ACD or the investment manager.

The most recent issue and redemption prices are available from the ACD.

Advantages of investing through an open-ended investment company

Moray Place Investment Company is an open-ended investment company (OEIC). Investing through an OEIC offers considerable advantages for private investors compared to managing their own portfolio directly or through a financial adviser. These advantages include:

- The full-time attention of an experienced professional investor
- Participation in a diversified portfolio of assets
- The OEIC does not incur capital gains tax on transactions within its portfolio. Investors thus defer any capital gains tax liability until they sell their shares in the OEIC
- The OEIC is able to offset management and administration costs against taxable income. It is not possible to do this with the costs of directly managed portfolios or financial adviser fees
- Less paperwork and record-keeping

Taxation

The Company will pay no corporation tax for the year ended 30 September 2016 and capital gains within the Company will not be taxed.

The information below on taxation is only a general summary, and shareholders should consult their own tax advisers about their own circumstances. Shareholders should also note that the position as outlined may change to reflect future changes in tax legislation.

Individual shareholders

Tax on dividends
HM Revenue and Customs changed the taxation of dividends on 6 April 2016. Dividend tax credits were abolished and replaced by a tax-free annual dividend allowance of £5,000. UK resident shareholders are now subject to new, higher rates of tax on dividend income in excess of the annual allowance. The actual rate charged depends on the individual’s tax rate band.

Capital gains tax
Individual shareholders resident in the UK for tax purposes may be liable to capital gains tax on realisation of their shares as with other chargeable assets. However, presently each year there is a tax-free allowance for individuals. The capital gains tax allowance for the 2016/17 tax year is £11,100. Gains in excess of that amount are charged at the rate of tax applicable to the individual taxpayer.

ISAs
Individuals resident in the UK for tax purposes may invest each year in Individual Savings Accounts (ISAs), free of income and capital gains tax. The ISA allowance for the 2016/17 tax year is £15,240. The ACD offers a simple, zero-charge ISA. To help limit the administration burden, only a single lump sum subscription of £15,240 is permitted each year, which is to be invested solely in MPIC net accumulation shares. The overall minimum investment in MPIC for each investor still applies. Further details may be obtained from the ACD.

Corporate shareholders

Companies resident in the UK for tax purposes which hold shares should note that OEIC dividends are streamed into both franked and unfranked income. The unfranked income element will be treated as an annual payment which is subject to income tax at a rate of 20% and will be liable to tax accordingly. On realisation of their shares, UK resident companies may be liable to pay corporation tax on any capital gains.

Alternative Investment Fund Managers Directive

Under the EU’s Alternative Investment Fund Managers Directive (AIFMD) 2013, the Company has been designated an Alternative Investment Fund. The ACD, Valu-Trac Investment Management Limited, has been appointed as the Alternative Investment Fund Manager (AIFM). The AIFMD has had little impact on the operating costs or management of MPIC.

CORPORATE DIRECTORY

ACD, AIFM and Registrar	Valu-Trac Investment Management Limited Orton Moray IV32 7QE Telephone: 01343 880344 Fax: 01343 880267 E-mail: mpic@valu-trac.com Authorised and regulated by the Financial Conduct Authority Registered in England No 2428648
Director	Valu-Trac Investment Management Limited as ACD
Investment Manager	Hollis Capital Limited 28 Walker Street Edinburgh EH3 7HR Authorised and regulated by the Financial Conduct Authority
Depositary	National Westminster Bank Plc Younger Building 1st Floor, 3 Redheughs Avenue Edinburgh EH12 9RH Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority
Auditor	Johnston Carmichael LLP Chartered Accountants Commerce House South Street Elgin IV30 1JE